

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 OIC-02 AF-10 EA-10 EUR-12 NEA-11
/169 W

-----081536 121226Z /47

R 112142Z MAY 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 7482
INFO USMISSION GENEVA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 1 OF 2 BRASILIA 3813

DEPT PASS ELECTRONICALLY TO STR FOR AMB WOLFF

USMTN

EO 11652: N/A
TAGS: ETRD, MTN, BR
SUBJ: AMB. WOLFF'S MEETING WITH GOB FOREIGN MINISTER SILVEIRA,
MAY 9

1. SUMMARY. IN THE COURSE OF A LENGTHY, DISCURSIVE CONVERSATION
WITH AMB WOLFF, GOB FOREIGN MINISTER SILVEIRA SPOKE IN GENERAL
ABOUT THE MTN, EMPHASIZING BRAZIL'S TRADE POSITION AND ITS
IMPACT ON BRAZIL'S NEGOTIATING FLEXIBILITY. AMB WOLFF STRESSED
THE NEED FOR MTN TO INCLUDE CONCESSIONS BY LDCS IN ORDER
TO MAKE THE MTN ACCEPTABLE POLITICALLY IN THE US. END SUMMARY.

2. BY WAY OF INTRODUCTION FOREIGN MINISTER SILVEIRA COMMENTED
ON THE NATURE OF BRAZILIAN DIPLOMACY. ALTHOUGH AN LDC,
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BRAZIL HAD BEEN FORCED TO HAVE A DIPLOMACY VERY EARLY ON.
BRAZIL HAD TEN NEIGHBORS AND THUS HAD THE PROBLEMS INHERENT IN
PHYSICAL FRONTIERS. ONLY THE SOVIET UNION AND CHINA HAD BORDERS
WITH MORE COUNTRIES. BRAZILIAN DIPLOMACY HAD TO BE GUIDED BY
PRAGMATISM. BRAZIL WAS PEACEFUL; IT HAD NOT INVADED A NEIGHBORING
COUNTRY FOR MORE THAN A CENTURY.

3. AMB WOLFF ACKNOWLEDGED BRAZIL'S STRONG LEADERSHIP ROLE IN THE MTN THROUGH ITS ACTIVE GENEVA MTN DELEGATION. SILVEIRA SAID BRAZIL WAS IN FAVOR OF THE MULTILATERAL TRADE NEGOTIATIONS BUT HE SAID THE NEGOTIATIONS WERE NOT ALWAYS FAIR. HE UNDERSTOOD THE U.S. POSITION WAS CHANGING, FOR INSTANCE IN REGARD TO MULTILATERAL SURVEILLANCE OF INJURY DETERMINATION. HE FELT THAT US SUPPORT FOR THE GATT WAS NATURAL, GIVEN AMERICA'S WORLD-WIDE TRADING INTERESTS. THE US DECIDES AND OTHERS HAVE TO ACCEPT. AMB. WOLFF REPLIED THAT THE DOMESTIC POLITICAL APPEAL OF THE MTN WAS LIMITED AND NEGOTIATIONS WERE "NOT EASY FOR US." HE STRESSED THE NEED FOR A BALANCED MTN PACKAGE WITH LDC OBLIGATIONS OR ELSE THE MTN WOULD NOT BE SALABLE IN THE US.

4. DESPITE THIS, AND DESPITE APPEARANCES TO THE CONTRARY, SILVEIRA SAID HE THOUGHT IT MUCH EASIER TO NEGOTIATE WITH THE US THAN WITH THE EUROPEANS. THE US NEGOTIATED HARD BUT WAS PREPARED TO CHANGE, WHILE THE EUROPEANS RETREATED BUT DID NOT CHANGE. HE THOUGHT THIS DIFFERENCE IN ATTITUDES WAS VERY IMPORTANT. THE US WOULD HAVE TO MAKE SOME CONCESSIONS TO THE INTERNATIONAL COMMUNITY.

5. WITH REGARD TO TRADE, SILVEIRA THOUGHT BRAZIL'S RECORD WAS VERY GOOD. BRAZIL'S WAS A VERY OPEN SOCIETY, AND BRAZIL HAD A BIG APPETITE FOR US GOODS. BRAZIL WOULD ALWAYS IMPORT AS MUCH AS IT COULD. THE LIMITED OFFICIAL USE

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LIMITS WERE IMPOSED BY BRAZIL'S BALANCE OF PAYMENTS POSITION. ALTHOUGH IMPORTS ARE VERY IMPORTANT TO THE FIGHT AGAINST INFLATION, BRAZIL HAD BEEN REQUIRED TO IMPOSE RESTRICTIONS TO OBTAIN A TRADE SURPLUS. AMBASSADOR WOLFF STRESSED THAT BALANCE OF PAYMENTS MEASURES SHOULD BE IMPOSED SEPARATELY FROM ACTIONS TO PROTECT PARTICULAR INDUSTRIES OR SECTORS.

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FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 7483
INFO USMISSION GENEVA
AMCONSUL RIO DE JANEIRO
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6. ON SPECIFIC PRODUCT PROBLEMS SILVEIRA STATED HE DID NOT THINK BRAZIL COULD HELP SOLVE THE USG'S PROBLEM ON FRUIT EXPORTS TO BRAZIL. HE HAD NOT BEEN CONSULTED ON THE MEASURES TAKEN BY BRAZIL WHICH RESULTED IN THE DEAL WITH HUNGARY, AND IF HE HAD BEEN HE WOULD HAVE OPPOSED IT. WITH REGARD TO THE US DEMAND FOR RESTORATION OF ACCESS "BRAZIL COULD NOT ABANDON ARGENTINA". THIS WAS A DECISION TAKEN BY TECHNOCRATS WHICH FAILED TO TAKE INTO ACCOUNT POLITICAL ASPECTS. FURTHERMORE, IN FIVE OR SIX YEARS THE NEW APPLE PLANTATIONS IN THE STATES OF PARANA AND SANTA CATARINA WOULD PRODUCE A SIGNIFICANT PORTION OF BRAZIL'S REQUIREMENT, AMB. WOLFF SAID THAT THIS KIND OF BILATERAL TRADE PROBLEM SHOULD NOT HAVE BEEN LEFT TO FESTER FOR SO LONG, AND LIMITED OFFICIAL USE

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POINTED OUT THAT BRAZIL'S RESTRICTIONS ON US APPLE AND PEAR EXPORTS HAD AFFECTED PRECISELY THOSE SECTORS IN THE US WHICH WERE TRADITIONALLY FAVORABLE TO FREE TRADE.

7. SILVEIRA SAID SELF-SUFFICIENCY WAS NOT BRAZIL'S PURPOSE, BUT THE BUSINESS COMMUNITY WAS DIVIDED ON THE COURSE BRAZIL'S TRADE POLICY SHOULD TAKE. AMERICAN MULTINATIONALS OPERATING IN BRAZIL WANTED PROTECTION FROM AMERICANS WHO WISHED TO EXPORT TO BRAZIL. AMB WOLFF COMMENTED THAT HIS CONCERN WAS TO "OPEN UP TRADE", NOT PROTECT AMERICAN INVESTMENT ABROAD. SILVEIRA SAID BRAZIL'S VORACTIY FOR IMPORTS PRECLUDED SELF-SUFFICIENCY, BUT

NO ONE WOULD BE ABLE TO FORCE BRAZIL TO ACT AGAINST
ITS OWN WILL.

8. SILVEIRA EMPHASIZED THAT BRAZIL'S RECORD IN THE
TRADE AREA WAS GOOD. HE SAID THAT THE US HAD CONSIDERABLY
INCREASED ITS EXPORTS TO BRAZIL IN THE LAST FIVE YEARS
IN ABSOLUTE TERMS, AND EVEN MORE IMPORTANT THE US HAD
PRESERVED ITS SHARE OF BRAZIL'S IMPORT MARKET SINCE
1973, A FEAT NO OTHER COUNTRY HAD BEEN ABLE TO AC-
COMPLISH. STATISTICALLY, THE US PERFORMANCE COULD
NOT HAVE BEEN BETTER. COUNTRIES LIKE GERMANY AND
THE UK HAD BEEN REQUIRED TO ADJUST TO THE PETROLEUM
CRISIS AND ACCEPT A REDUCTION IN THEIR RELATIVE
POSITION. (COMMENT. SILVEIRA'S STATEMENTS
ON US MARKET SHARE PERFORMANCE ARE NOT SUPPORTED BY
TRADE STATISTICS. US SHARE OF BRAZIL'S IMPORTS
DROPPED FROM 29 PERCENT IN 1973 TO 20 PERCENT IN
1977. END COMMENT)

9. AMB. WOLFF STRESSED THAT US EXPORTERS NEEDED
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ASSURANCES OF ACCESS TO BRAZILIAN MARKETS. SILVEIRA
SAID HE WAS NOT AGAINST MARKET ASSURANCES FOR THE
FUTURE. HE UNDERSTOOD THE DOUBTS OF AMERICAN INDUSTRY.
HE AGREED THAT BRAZIL HAD TO COOPERATE TO MAKE THE
MULTILATERAL TREATY NEGOTIATIONS A SUCCESS OR ALL
WOULD SUFFER; THE US, FOR ITS PART, MUST NOT FORGET
THAT BRAZIL WAS STILL A DEVELOPING COUNTRY.
JOHNSON

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